

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1181 - HB 1618

March 15, 2011

SUMMARY OF BILL: Authorizes cities that do not operate a city school district to be a sponsor of a public charter school. Authorizes students who reside within the sponsor city's urban growth boundaries to attend a charter school. Sets forth preference and lottery guidelines to be used if the capacity of the program, class, grade level, or facility of the charter school is exceeded.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – Not Significant

Increase Local Expenditures - \$1,455,400/FY13-14

Exceeds \$1,455,400/FY14-15 and Subsequent Years*

Assumptions:

- The charter school application and approval process will require significant lead-time.
- There are 308 municipalities that do not operate city school districts that could potentially be a charter school sponsor.
- It is assumed that one percent (three) of those municipalities will sponsor a charter school and that one school will open per sponsor.
- According to information provided by the Comptroller of the Treasury, the average projected initial enrollment is 128 students per school. These students will transfer from a public school and are not eligible for enrollment in charter schools under current law.
- Based on the lead-time required, it is assumed that these schools will not open until FY13-14.
- The number of schools does not increase in subsequent years.
- Basic Education Program (BEP) state and local-match funding for students transferring out of a regular public school will follow the student.
- Based on the 2010 State Report Card prepared by the Department of Education, the average annual per pupil expenditure in Tennessee, exclusive of federal dollars, is \$7,580. Of this amount, \$4,159 is state dollars and \$3,421 is local dollars.
- Three schools will open in FY13-14 with a total student population of 384 (128 x 3) students in the first year.
- Total transfer in state dollars in FY13-14 will be \$1,597,056 (384 x \$4,159). The total transfer in local dollars in FY13-14 will be \$1,313,664 (384 x \$3,421). The total shift

SB 1181 - HB 1618

will be \$2,910,720 (\$1,597,056 + \$1,313,664). These dollars will transfer to the public charter schools.

- Charter school students will continue to be counted as local education agency (LEA) students for the purposes of the average daily membership (ADM) calculation under the BEP formula. BEP formula-generated funding will not change as a result of this bill. No increase in state BEP funding.
- LEAs will make system-wide adjustments and will redirect or reduce resources in a manner that will partially compensate for the shift of students and funding, but will not be able to reduce teachers and classroom expenditures enough to fully offset the loss of state and local funding that will shift to public charter schools. System-wide adjustments will compensate for 50 percent of the funding shift to charter schools. LEAs will maintain teachers and resources for the remaining 50 percent of the state and local funding shift and will increase net expenditures in the amount of \$1,455,360 in FY13-14. ($\$2,910,720 / 2$).
- System-wide adjustments resulting from larger populations of charter school students under this bill will create greater flexibility and will allow for some expenditure reductions that are not possible under current law in those LEAs where a city is a sponsor of a charter school.
- For FY14-15 and beyond, this net increase will exceed \$1,455,360 as students progress through grade levels and new students are added.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/msg